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15 CHARGED, \$4.5 MILLION SEIZED, IN
CANADIAN LOTTERY SCAM TARGETING ELDERLY

CONCORD, NEW HAMPSHIRE: **United States Attorney for the District of New Hampshire Tom Colantuono**, in partnership with Federal Bureau of Investigation Acting Special Agent in Charge William D. Chase, U. S. Customs Service Special Agent in Charge Robin Avers, and U. S. Postal Inspection Service Inspector in Charge Kenneth Jones today announce the indictment of 15 Canadian citizens and the seizure of \$4.5 million from several Middle Eastern banks in connection with an investigation by FBI, Customs, Postal and the Royal Canadian Mounted Police of a fraudulent telemarketing scheme targeting elderly United States citizens. Today's announcement coincides with the arrest of the 15 defendants in the Montreal area by Canadian authorities.

The 86-page Indictment charges David Johnson, Norman Redler and Joseph Taillon with racketeering in violation of the federal RICO statute. Johnson, Redler, Taillon and 11 others are also charged with conspiracy to commit racketeering and conspiracy to commit mail fraud. Johnson, Redler, Taillon and 12 others are charged with conspiracy to commit wire fraud. Norman Redler and David Johnson are also charged with additional mail and wire fraud charges.

In a parallel civil forfeiture action unsealed today, the U.S. Attorney's Office seized \$4.5 million from the accounts of several Middle-Eastern banks. The seizure was carried out under the new provisions of the USA PATRIOT ACT, which was enacted by Congress in response to the attacks of September 11, 2001. The government intends to use all monies which are ultimately forfeited to pay restitution to the victims of the fraudulent scheme.

The Indictment is the result of an intensive investigation of a group of Canadian citizens based in Montreal, with connections to Vancouver, British Columbia, who allegedly raised more than \$5 million by defrauding more than 80 elderly widows and widowers, two of whom are residents of New Hampshire. The details of the scheme, as alleged in the indictment, are as follows:

* Participants in the scheme would purchase lists of “leads” and call potential victims using cell phones in order to make tracing the calls more difficult. The participants asked the victims several “qualifying” questions, regarding their income and marital status, and whether they were living with dependents. The participants in the scheme targeted victims who were unmarried or widowed, had no dependents living with them, and had access to significant cash.

* After “qualifying” the victims, another participant in the scheme would place another call to the victims, usually claiming to be an attorney or government official, and inform the victims that they had won a cash prize, usually \$200,000. The victims were told that they needed to prepay Canadian taxes and fees before collecting their cash prizes. The victims were also told to keep the news of their winnings absolutely confidential or they would forfeit their winnings. By using this tactic, the defendants succeeded in keeping the elderly victims from discussing their status as “winners” with their relatives or financial assistants. This tactic was also successful in persuading the victims not to report the scheme to law enforcement authorities.

* The participants instructed the victims to send cashier’s checks to various addresses in the Montreal area. Individuals living at the addresses used by the defendants were paid a nominal fee for receiving the envelopes. The indictment identifies some of the defendants as “runners,” who collected the checks from the mail drops and delivered them to the alleged leaders of the scheme, David Johnson, Norman Redler and Joseph Taillon.

* The participants then engaged in a process known as “reloading.” Once a victim had sent a cashier’s check, usually in the amount of \$10,000.00, the participants again contacted the victims and told them that their winnings had increased, usually to \$2 million. The participants explained to the victims that their winnings had increased because other winners had been disqualified for violating the confidentiality rules. The participants told the victims that they needed to pay additional taxes and fees because of the increase in their winnings, and directed them to obtain and mail another cashier’s check, in amounts ranging from \$20,000 to \$240,000.

* The participants brought the victims’ cashier’s checks to a Montreal restaurant where they exchanged the checks, which were in United States dollars, for Canadian cash. The checks were then sent to Israel, where they were deposited in Israeli and Jordanian-based banks.

The civil forfeiture case, which was brought in tandem with the criminal indictment, marks the first use in New Hampshire and the second in the nation, of certain new provisions of the USA PATRIOT ACT, which allow the government to pursue criminally-derived funds that are delivered to banks abroad. These provisions authorize the seizure of any funds maintained by the foreign depository banks in correspondent bank accounts located in the United States. In this manner, seizures totaling \$4.5 million were made from accounts maintained by the Israeli and Jordanian banks in New York City, Buffalo, New York, and Philadelphia, Pennsylvania, on October 18 and 21, 2002, while the civil forfeiture case remained under seal. The \$4.5 million in seized funds has been transferred to the United States Marshal for the District of New Hampshire. Those funds will be held pending the resolution of any claims which may be filed in the civil forfeiture case.

Extradition proceedings for all of the defendants have been initiated and are expected to be completed within one year. The U.S. Attorney's Office is also continuing to seek seizures of other assets held by the defendants in Canada, including houses, automobiles, cash, and personal property. A trial is expected to be scheduled for early 2004.

U.S. Attorney Colantuono expressed his appreciation to the Government of Canada for its cooperation in this case. He also expressed his thanks to the Royal Canadian Mounted Police Commercial Crimes Section, the Surete du Quebec, the Federal Bureau of Investigation, the United States Customs Service, the United States Postal Inspection Service, and local and provincial law enforcement authorities in Montreal for their efforts in the joint investigation of this case.

AN INDICTMENT IS ONLY AN ALLEGATION AND NOT PROOF OF CRIMINAL CONDUCT. AS IN ALL CRIMINAL CASES, EACH DEFENDANT IS PRESUMED INNOCENT UNTIL PROVEN GUILTY BEYOND A REASONABLE DOUBT.

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